

Assembly Bill No. 2651

Passed the Assembly June 14, 2010

Chief Clerk of the Assembly

Passed the Senate June 14, 2010

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2010, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Section 16773 of the Government Code, to amend Sections 998.402 and 998.404 of, and to add Section 988.6 to, the Military and Veterans Code, relating to veterans, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2651, Knight. Veterans farm and home purchases: bond acts.

Existing law authorizes the Department of Veterans Affairs to provide home and farm purchase loans to veterans and to utilize the proceeds from state general obligation bonds issued and sold for these purposes.

This bill would create in the State Treasury a revolving special fund known as the Veterans' Bonds Payment Fund, which moneys would be used solely to pay debt service, as defined, on bonds issued pursuant to all veterans' farm and home purchase bond acts, as specified, and all moneys in this fund would be continuously appropriated for this purpose. The bill would also authorize moneys in the Veterans' Bonds Payment Fund to be transferred to an account within the Refunding Escrow Fund for the purposes of paying debt service, as prescribed. This bill would prohibit moneys from being borrowed or transferred from the Veterans' Bonds Payment Fund to the General Fund or the General Cash Revolving Fund, as specified.

The Veterans' Bond Act of 2008 (hereafter the act) authorizes, for purposes of financing a specified program for farm, home, and mobilehome purchase assistance for veterans, the issuance, pursuant to the State General Obligation Bond Law, of bonds in the amount of \$900,000,000. The act requires specified payments required to be remitted for the payment of debt service on the bonds in each fiscal year, to be transferred to the General Fund to pay the debt service on all of the money in the fund. Existing law does not grant a lien on the Veterans' Farm and Home Building Fund or the money therein to the holder of any bonds issued under the act.

This bill would instead require those payments to be transferred to the Veterans' Bonds Payment Fund, rather than to the General Fund. This bill would not grant a lien on the Veterans' Farm and Home Building Fund, the Veterans' Bonds Payment Fund, or the money therein to the holder of any bonds issued under the act.

Under existing law, whenever any payment of principal of any bonds becomes due, either upon the maturity of any of the bonds or upon the redemption thereof prior to maturity, and whenever any interest on any of the bonds falls due, warrants shall be drawn against the appropriation made by the bond act from the General Fund by the Controller in favor of the Treasurer, or state fiscal agents, or other duly authorized agents, pursuant to claims filed with the Controller by the Treasurer, in the amounts falling due.

This bill would provide that for any of the above payments of debt service, with respect to any bonds issued pursuant to a veterans' farm and home purchase bond act, the Controller shall first draw warrants against the appropriation from the Veterans' Bonds Payment Fund, and, to the extent moneys in the fund are insufficient to pay the amount of debt service then due, shall draw warrants against the appropriation made by the bond act from the General Fund.

This bill would declare that it is to take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 16773 of the Government Code is amended to read:

16773. Whenever any payment of principal of any bonds shall become due, either upon the maturity of any of the bonds or upon the redemption thereof prior to maturity, and whenever any interest on any of the bonds shall fall due, warrants shall be drawn against the appropriation made by the bond act from the General Fund by the Controller in favor of the Treasurer, or state fiscal agents, or other duly authorized agents, pursuant to claims filed with the Controller by the Treasurer, in the amounts so falling due. For any payments of debt service, as defined in subdivision (c) of Section 998.404 of the Military and Veterans Code, with respect to any bonds issued pursuant to a veterans' farm and home purchase bond act adopted pursuant to Chapter 6 (commencing with Section 980)

of Division 4 of the Military and Veterans Code, the Controller shall first draw warrants against the appropriation from the Veterans' Bonds Payment Fund in Section 988.6 of the Military and Veterans Code, and, to the extent moneys in that fund are insufficient to pay the amount of debt service then due, shall draw warrants against the appropriation made by the bond act from the General Fund for payment of any remaining amount then due.

SEC. 2. Section 988.6 is added to the Military and Veterans Code, to read:

988.6. (a) There is hereby created in the State Treasury a revolving special fund known as the Veterans' Bonds Payment Fund. All moneys in this fund shall be used solely to pay debt service, as this term is defined in subdivision (c) of Section 998.404, when due on bonds issued pursuant to all veterans' farm and home purchase bond acts pursuant to this chapter, and notwithstanding Section 13340 of the Government Code, all moneys in this fund are continuously appropriated for this purpose.

(b) All moneys in the Veterans' Bonds Payment Fund are necessary for immediate use and no amounts of this fund shall be considered "surplus money," for the purposes of Section 16470 of the Government Code.

(c) Moneys in the Veterans' Bonds Payment Fund shall be used solely as described in subdivision (a), and therefore no moneys in that fund shall be borrowed by, or transferred to, the General Fund pursuant to subdivision (a) of Section 16310 of the Government Code or any other similar authority, or to the General Cash Revolving Fund pursuant to Section 16381 of the Government Code or any other similar authority.

(d) Moneys in the Veterans' Bonds Payment Fund may be transferred to an account within the Refunding Escrow Fund created by Section 16784 of the Government Code for the purposes of paying debt service, as defined in subdivision (c) of Section 998.404, in connection with the refunding of bonds issued pursuant to veterans' farm and home purchase bond acts pursuant to this chapter.

SEC. 3. Section 998.402 of the Military and Veterans Code is amended to read:

998.402. As used herein, the following terms have the following meanings:

(a) "Board" means the Department of Veterans Affairs.

(b) “Bond” means a veterans’ bond, a state general obligation bond, issued pursuant to this article adopting the provisions of the State General Obligation Bond Law.

(c) “Bond act” means this article authorizing the issuance of state general obligation bonds and adopting the State General Obligation Bond Law by reference.

(d) “Committee” means the Veterans’ Finance Committee of 1943, established by Section 991.

(e) “Fund” means the Veterans’ Farm and Home Building Fund of 1943, established by Section 988.

(f) “Payment Fund” means the Veterans’ Bonds Payment Fund established by Section 988.6.

SEC. 4. Section 998.404 of the Military and Veterans Code is amended to read:

998.404. (a) All bonds authorized by this article, when duly sold and delivered as provided herein, constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

(b) There shall be collected annually, in the same manner and at the same time as other state revenue is collected, a sum of money, in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, these bonds as provided herein, and all officers required by law to perform any duty in regard to the collection of state revenues shall collect this additional sum.

(c) On the dates on which funds are to be remitted pursuant to Section 16676 of the Government Code for the payment of debt service on the bonds in each fiscal year, there shall be transferred to the Payment Fund to pay the debt service all of the money in the fund, not in excess of the amount of debt service then due and payable. If the money transferred on the remittance dates is less than debt service then due and payable, the balance remaining unpaid shall be transferred to the General Fund out of the fund as soon as it shall become available, together with interest thereon from the remittance date until paid, at the same rate of interest as borne by the bonds, compounded semiannually. Notwithstanding any other provision of law to the contrary, this subdivision shall apply to all veterans’ farm and home purchase bond acts pursuant to this chapter. This subdivision does not grant any lien on the

fund, the Payment Fund, or the moneys therein to the holders of any bonds issued under this article. For the purposes of this subdivision, “debt service” means the principal (whether due at maturity, by redemption, or acceleration), premium, if any, or interest payable on any date with respect to any series of bonds. This subdivision shall not apply, however, in the case of any debt service that is payable from the proceeds of any refunding bonds.

SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to save the state five hundred thousand dollars (\$500,000) in debt interest payment costs, it is necessary that this act go into immediate effect.

Approved _____, 2010

Governor